

ANNUAL BUDGET OF

NAMAKWA DISTRICT MUNICIPALITY

2012/13 TO 2014/15
MEDIUM TERM REVENUE AND
EXPENDITURE FORECASTS

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Abbreviations and Acronyms

AMR	Automated Meter Reading	ℓ	litre
ASGISA	Accelerated and Shared Growth Initiative	LED	Local Economic Development
BPC	Budget Planning Committee	MEC	Member of the Executive Committee
CBD	Central Business District	MFMA	Municipal Financial Management Act Programme
CFO	Chief Financial Officer	MIG	Municipal Infrastructure Grant
CM	City Manager	MMC	Member of Mayoral Committee
CPI	Consumer Price Index	MPRA	Municipal Properties Rates Act
CRRF	Capital Replacement Reserve Fund	MSA	Municipal Systems Act
DBSA	Development Bank of South Africa	MTEF	Medium-term Expenditure Framework
DORA	Division of Revenue Act	MTREF	Medium-term Revenue and Expenditure Framework
DWA	Department of Water Affairs	NERSA	National Electricity Regulator South Africa
EE	Employment Equity	NGO	Non-Governmental organisations
EEDSM	Energy Efficiency Demand Side Management	NKPIs	National Key Performance Indicators
EM	Executive Mayor	OHS	Occupational Health and Safety
FBS	Free basic services	OP	Operational Plan
GAMAP	Generally Accepted Municipal Accounting Practice	PBO	Public Benefit Organisations
GDP	Gross domestic product	PHC	Provincial Health Care
GDS	Gauteng Growth and Development Strategy	PMS	Performance Management System
GFS	Government Financial Statistics	PPE	Property Plant and Equipment
GRAP	General Recognised Accounting Practice	PPP	Public Private Partnership
HR	Human Resources	PTIS	Public Transport Infrastructure System
HSRC	Human Science Research Council	RG	Restructuring Grant
IDP	Integrated Development Strategy	RSC	Regional Services Council
IT	Information Technology	SALGA	South African Local Government Association
kℓ	kilolitre	SAPS	South African Police Service
km	kilometre	SDBIP	Service Delivery Budget Implementation Plan
KPA	Key Performance Area	SMME	Small Micro and Medium Enterprises
KPI	Key Performance Indicator		
kWh	kilowatt		

Part 1 – Annual Budget

The concept budget is tabled before Council.

The Budget Steering Committee had a workshop and inputs were given in the compilation of the budget. The current service delivery requirements were taken into account and resulted in a number of new positions on the organogram. Inputs from council will at the end determine the number of position that needs to be filled within the Namakwa District Municipality's financial capacity.

There are more and more a need to assist the B Municipalities and that needs to be addressed in the budget.

The 2011/12 budget was the source from where the current concept budget was compiled, and the inflation targets of National Treasury were taken into account for the increase of the budget. As there is no agreement on salary increases between the employer and the employees, a 10% increase was budgeted for. This will be adjusted when an agreement is reached between the parties.

As this is the beginning of the new IDP 5 year plan, the IDP needs are addressed in the budget.

On 28 March 2012 the Council of Namakwa District Municipality met in the Council Chambers of Namakwa District Municipality in Springbok to consider the budget of the municipality for the financial year 2012/13. The Council approved and adopted the following resolutions:

1. The Council of Namakwa District Municipality, acting in terms of section 28 of the Municipal Finance Management Act, (Act 56 of 2003) approves and adopts:

1.1. The budget of the municipality for the financial year 2012/13 and the multi-year and single-year capital appropriations as set out in the following tables:

1.1.1. Budgeted Financial Performance (revenue and expenditure by standard classification) as contained in Table 18;

1.1.2. Budgeted Financial Performance (revenue and expenditure by municipal vote) as contained in Table 19;

1.1.3. Budgeted Financial Performance (revenue by source and expenditure by type) as contained in Table 21; and

1.1.4. Multi-year and single-year capital appropriations by municipal vote and standard classification and associated funding by source as contained in Table 22

1.2. The financial position, cash flow budget, cash-backed reserve/accumulated surplus, asset management and basic service delivery targets are approved as set out in the following tables:

1.2.1. Budgeted Financial Position as contained in Table 23;

1.2.2. Budgeted Cash Flows as contained in Table 24;

- 1.2.3. Cash backed reserves and accumulated surplus reconciliation as contained in Table 25;
- 1.2.4. Asset management as contained in Table 26; and
- 1.2.5. Basic service delivery measurement as contained in Table 27.

2. To give proper effect to the municipality's annual budget, the Council of Namakwa District Municipality approves:

- 2.1. That cash backing is implemented through the utilisation of a portion of the revenue generated from property rates to ensure that all capital reserves and provisions, unspent long-term loans and unspent conditional grants are cash backed as required in terms of the municipality's funding and reserves policy as prescribed by section 8 of the Municipal Budget and Reporting Regulations.

1.3 Executive Summary

The application of sound financial management principles for the compilation of the Namakwa District Municipality's financial plan is essential and critical to ensure that the Namakwa District Municipality remains financially viable and that municipal services are provided sustainably, economically and equitably to all communities.

The Namakwa District Municipality's business and service delivery priorities were reviewed as part of this year's planning and budget process.

The Namakwa District Municipality has embarked on implementing revenue collection strategies to optimize the collection of debt owed by debtors. Furthermore, the Namakwa District Municipality has undertaken various customer care initiatives to ensure the municipality truly involves all citizens in the process of ensuring a people lead government.

National Treasury's MFMA Circular No. 51, 54, 58 and 59 were used to guide the compilation of the 2012/13 MTREF.

The main challenges experienced during the compilation of the 2012/13 MTREF can be summarised as follows:

- The ongoing difficulties in the national and local economy;
- Wage increases for municipal staff that continue to exceed consumer inflation, as well as the need to fill critical vacancies;
- Long outstanding government debtors;

The following budget principles and guidelines directly informed the compilation of the 2012/13 MTREF:

- The 2011/12 Annual Budget priorities and targets, as well as the base line allocations contained in that Annual Budget were adopted as the upper limits for the new baselines for the 2012/13 budget;
- There will be no budget allocated to national and provincial funded projects unless the necessary grants to the municipality are reflected in the national and provincial budget and have been gazetted as required by the annual Division of Revenue Act;

In view of the aforementioned, the following table is a consolidated overview of the proposed 2011/12 Medium-term Revenue and Expenditure Framework:

Table 1 Consolidated Overview of the 2012/13 MTREF

	Annual Budget 2012/13	Annual Budget 2013/14	Annual Budget 2014/15
Operational Income	R70 546 000	R71 005 000	R74 958 000
Operational Expenditure	R89 159 000	R86 036 000	R90 570 000
Net Profit/ (Deficit)	(R18 613 000)	(R 15 031 000)	(R 15 612 000)
Capital Budget	R 2 020 000	R 4 254 000	R 4 159 000

Total operating revenue has decreased by 2.45 per cent or R1 766 000 from the 2011/12 Adjustment Budget when compared to the 2012/13 Annual Budget. For the two outer years, operational revenue will increase by 6.5 and 5.5 per cent respectively.

Total operating expenditure for the 2012/13 financial year has been appropriated at R89 159 000 and translates into a budgeted deficit of R18 077 000. When compared to the 2011/12 Budget, operational expenditure has grown by 10.36 per cent in the 2012/13 budget and decreased by 4.5 in 2013/14 and increased by 5.26 per cent for each of the respective outer years of the MTREF. The operating deficit for the two outer years steadily increases to 86.036 million and then stabilise at R15.612 million. This deficit will be funded by investments.

The capital budget of R2 020 000 for 2012/13 is a 41.55 per cent increase when compared to the 2011/12 Annual Budget. The increase is due to various computers, vehicle, equipment and a new council chambers which needs to be addressed.

1.4 Operating Revenue Framework

For Namakwa District Municipality to continue improving the quality of services provided to its citizens it needs to generate the required revenue. In these tough economic times strong revenue management is fundamental to the financial sustainability of every municipality. The reality is that we are faced with development backlogs and poverty. The expenditure required to address these challenges will inevitably always exceed available funding; hence difficult choices have to be made in relation to tariff increases and balancing expenditures against realistically anticipated revenues.

The municipality's revenue strategy is built around the following key components:

- National Treasury's guidelines and macroeconomic policy;

The following table is a summary of the 2012/13 MTREF (classified by main revenue source):

Table 2 Summary of revenue classified by main revenue source

DC6 Namakwa - Table A2 Budgeted Financial Performance (revenue and expenditure by standard classification)

Standard Classification Description R thousand	Ref 1	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
Revenue - Standard										
<i>Municipal governance and administration</i>										
Executive and council <i>Mayor and Council</i>		33 926	35 944	38 863	44 960	36 610	36 610	40 108	39 902	42 124
Municipal Manager		2 506	2 304	2 398	10 090	3 432	3 432	4 408	2 098	2 674
Budget and treasury office		2 506	2 304	2 398	9 490	2 832	2 832	4 408	2 098	2 674
Corporate services <i>Human Resources</i>		–	–	–	600	600	600	–	–	–
Information Technology		27 261	29 631	29 643	27 807	28 125	28 125	28 549	30 288	31 330
Property Services		4 159	4 009	6 822	7 063	5 054	5 054	7 151	7 515	8 119
Other Admin		1	346	455	619	619	619	360	–	–
Community and public safety		4 159	3 663	6 367	6 443	4 434	4 434	6 791	7 515	8 119
Community and social services		1 048	2 569	667	1 679	3 638	3 638	3 191	3 355	3 540
Other Community		119	1 385	–	–	1 959	1 959	2 000	2 110	2 226
Other Social		119	1 385	–	–	1 959	1 959	2 000	2 110	2 226
Sport and recreation		–	–	–	–	–	–	–	–	–
Public safety		929	1 184	667	1 679	1 679	1 679	1 191	1 245	1 313
Police		–	–	–	–	–	–	–	–	–
Civil Defence		929	1 184	667	1 679	1 679	1 679	1 191	1 245	1 313
Street Lighting		–	–	–	–	–	–	–	–	–
Housing		–	–	–	–	–	–	–	–	–
<i>Economic and environmental services</i>		38 079	22 451	32 978	25 334	32 553	32 553	27 782	27 881	29 414
Planning and development		10 555	1 078	16 795	22 106	29 964	29 964	27 646	27 000	28 485
<i>Economic Development/Planning</i>		10 555	1 078	16 795	22 106	29 964	29 964	27 646	27 000	28 485
Town Planning/Building		–	–	–	–	–	–	–	–	–
enforcement		–	–	–	–	–	–	–	–	–
Licensing & Regulation		–	–	–	–	–	–	–	–	–
Road transport		27 524	21 373	16 183	3 228	2 589	2 589	137	881	929
Roads		27 524	21 373	16 183	3 228	2 589	2 589	137	881	929
Public Buses		–	–	–	–	–	–	–	–	–
Trading services		(5)	1	–	–	–	–	–	–	–
Electricity		(5)	1	–	–	–	–	–	–	–
Distribution		(5)	1	–	–	–	–	–	–	–
Electricity Generation		–	–	–	–	–	–	–	–	–
Other		46	22	4	10	3	3	–	–	–
Air Transport		–	–	–	–	–	–	–	–	–
Tourism		46	22	4	10	3	3	–	–	–
Forestry		–	–	–	–	–	–	–	–	–
Total Revenue - Standard	2	73 094	60 987	72 511	71 983	72 803	72 803	71 082	71 138	75 078

In line with the formats prescribed by the Municipal Budget and Reporting Regulations, capital transfers and contributions are excluded from the operating statement, as inclusion of these revenue sources would distort the calculation of the operating surplus/deficit.

Revenue generated from Government Grants forms the major source of revenue of Namakwa District Municipality

2.5 Operating Expenditure Framework

The Namakwa District Municipality's expenditure framework for the 2012/13 budget and MTREF is informed by the following:

- The asset renewal strategy and the repairs and maintenance plan;
- Balanced budget constraint (operating expenditure should not exceed operating revenue) unless there are existing uncommitted cash-backed reserves to fund any deficit;
- Funding of the budget over the medium-term as informed by Section 18 and 19 of the MFMA;
- The capital programme is aligned to the asset renewal strategy and backlog eradication plan;
- Operational gains and efficiencies will be directed to funding the capital budget and other core services; and
- Strict adherence to the principle of *no project plans no budget*. If there is no business plan no funding allocation can be made.

The following table is a high level summary of the 2012/13 budget and MTREF (classified per main type of operating expenditure):

Table 3 Summary of operating expenditure by standard classification item

Standard Classification Description	Ref	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
		R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13

Tourism		1 025	1 236	1 653	1 719	1 805	1 805	1 813	1 912	2 017
Forestry		–	–	–	–	–	–	–	–	–
Total Expenditure - Standard	3	69 786	55 897	71 083	72 107	80 786 (7 983)	80 786 (7 983)	89 159 (18 077)	86 036	90 570
Surplus/(Deficit) for the year		3 308	5 090	1 428	(125)				(14 898)	(15 492)

The budgeted allocation for employee related costs for the 2012/13 financial year totals R37 699 000, which equals 47.03 per cent of the total operating expenditure. As part of the planning assumptions and interventions all essential vacancies were advertised new positions were identified to ensure effective administration and service delivery.

The cost associated with the remuneration of councillors is determined by the Minister of Co-operative Governance and Traditional Affairs in accordance with the Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998). The most recent proclamation in this regard has been taken into account in compiling the Namakwa District Municipality's budget.

Provision for depreciation and asset impairment has been informed by the Municipality's Asset Management Policy. Depreciation is widely considered a proxy for the measurement of the rate asset consumption. Budget appropriations in this regard total R2 170 000 for the 2012/13 financial year and equates to 12.43 per cent of the total operating expenditure. Note that the implementation of GRAP 17 accounting standard has meant bringing a range of assets previously not included in the assets register onto the register. This has resulted in a significant increase in depreciation relative to previous years.

Contracted services have been implemented for the Working for Water programme as required by Dept. of Environmental Affairs.

Other expenditure comprises of various line items relating to the daily operations of the municipality. This group of expenditure has also been identified as an area in which cost savings and efficiencies can be achieved. Growth has been limited to 5 per cent for 2012/13 and curbed at 5.6 and 5.4 per cent for the two outer years, indicating that significant cost savings have been already realised.

The following table gives a breakdown of the main expenditure categories for the 2012/13 financial year.

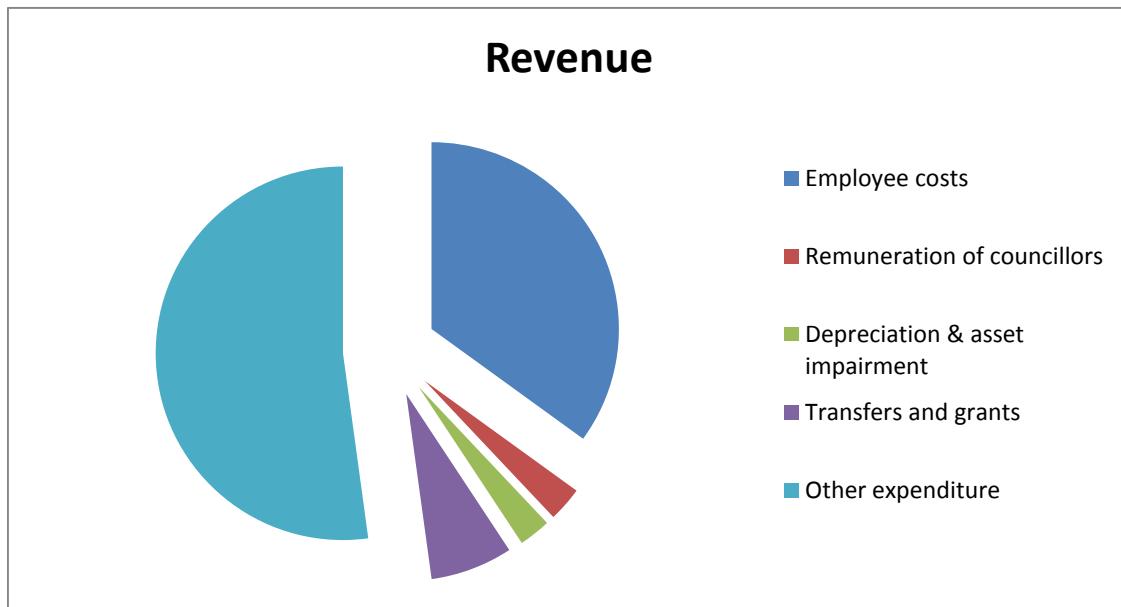


Figure 1 Main operational expenditure categories for the 2012/13 financial year

Aligned to the priority being given to preserving and maintaining the Municipality's current infrastructure, the 2012/13 budget and MTREF provide for extensive growth in the area of asset maintenance, as informed by the asset renewal strategy and repairs and maintenance plan of the Municipality. In terms of the Municipal Budget and Reporting Regulations, operational repairs and maintenance is not considered a direct expenditure driver but an outcome of certain other expenditures, such as remuneration, purchases of materials and contracted services. Considering these cost drivers, the following table is a consolidation of all the expenditures associated with repairs and maintenance:

Table 4 Operational repairs and maintenance

DC6 Namakwa - Supporting Table SA34c Repairs and maintenance expenditure by asset class

Description R thousand	Ref 1	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
<u>Repairs and maintenance expenditure by Asset Class/Sub-class</u>										
-		-	-	-	-	-	-	-	-	-
<u>Infrastructure</u>		-	-	-	-	-	-	-	-	-
Infrastructure - Road transport		-	-	-	-	-	-	-	-	-
<u>Other assets</u>		1789	1880	2545	1133	670	670	706	744	-
General vehicles	10	57	95	80	60	50	50	53	56	-
Specialised vehicles		-	-	-	-	-	-	-	-	-
Plant & equipment		1018	1161	1523	6	6	6	6	7	-
Computers - hardware/equipment		-	-	-	-	-	-	-	-	-
Furniture and other office equipment		431	346	472	447	204	204	215	227	-
Abattoirs		-	-	-	-	-	-	-	-	-
Markets		-	-	-	-	-	-	-	-	-
Civic Land and Buildings		-	-	-	-	-	-	-	-	-
Other Buildings		284	278	470	620	410	410	432	455	-
Other Land		-	-	-	-	-	-	-	-	-
Total Repairs and Maintenance Expenditure	1	1789	1880	2545	1133	670	670	706	744	-

The total allocation for 2012/13 equates to R706 00 down from R670 000 in the previous financial year. In relation to the total operating expenditure, repairs and maintenance comprises of 1.4 per cent for financial year of the MTREF.

The table below provides a breakdown of the repairs and maintenance in relation to asset class:

kage

As the Municipality does not provide services to public, no provision has been made for free basic services.

2.61.6 Capital expenditure

The following table provides a breakdown of budgeted capital expenditure by vote:

Table 5 2012/13 Medium – term capital per vote

DC6 Namakwa - Table A5 Budgeted Capital Expenditure by vote, standard classification and funding

Vote8 - Manager: Projects		1 209	1 950	1 418	-	805	805	805	1 150	4 010	4 000
Vote9 - Manager: Roads		-	-	-	-	-	-	-	-	-	-
Vote 10 - [NAME OF VOTE 10]		-	-	-	-	-	-	-	-	-	-
Vote 11 - [NAME OF VOTE 11]		-	-	-	-	-	-	-	-	-	-
Vote 12 - [NAME OF VOTE 12]		-	-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-	-
Capital single-year expenditure sub-total		1 451	3 984	2 245	848	1 427	1 427	1 427	2 020	4 254	4 159
Total Capital Expenditure - Vote		1 451	3 984	2 245	848	1 427	1 427	1 427	2 020	4 254	4 159
Capital Expenditure - Standard											
<i>Governance and administration</i>		196	1 506	2 193	707	1 182	1 182	1 182	1 340	4 092	4 000
Executive and council		146	852	177	28	43	43	43	17	-	-
Budget and treasury office		35	598	455	-	410	410	410	45	20	-
Corporate services		15	56	1 561	679	729	729	729	1 278	4 072	4 000
<i>Community and public safety</i>		21	509	44	48	152	152	152	561	152	159
Community and social services		20	78	36	39	39	39	39	75	39	39
Sport and recreation		-	-	-	-	-	-	-	-	-	-
Public safety		1	431	8	9	113	113	113	486	113	120
Housing		-	-	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-	-
<i>Economic and environmental services</i>		1 234	1 969	8	84	84	84	84	50	10	-
Planning and development		1 234	1 969	8	84	84	84	84	50	10	-
Road transport		-	-	-	-	-	-	-	-	-	-
Environmental protection		-	-	-	-	-	-	-	-	-	-
<i>Trading services</i>		-	-	-	-	-	-	-	-	-	-
Electricity		-	-	-	-	-	-	-	-	-	-
Water		-	-	-	-	-	-	-	-	-	-
Waste water management		-	-	-	-	-	-	-	-	-	-
Waste management		-	-	-	-	-	-	-	-	-	-
<i>Other</i>		-	-	-	10	10	10	10	70	-	-
Total Capital Expenditure - Standard	3	1 451	3 984	2 245	848	1 427	1 427	1 427	2 020	4 254	4 159
Funded by:											
National Government		-	-	55	355	355	355	355	-	-	-
Provincial Government		-	-	-	9	113	113	113	486	133	120

District Municipality		-	-	-	-	-	-	-	-	-	-	-
Other transfers and grants		-	-	-	24	24	24	24	50	-	-	-
Transfers recognised - capital	4	-	-	55	387	491	491	491	536	133	120	
Public contributions & donations	5	-	-	-	-	-	-	-	-	-	-	-
Borrowing	6	-	-	-	-	-	-	-	-	-	-	-
Internally generated funds		1 451	3 984	2 190	461	936	936	936	1 484	4 121	4 039	
Total Capital Funding	7	1 451	3 984	2 245	848	1 427	1 427	1 427	2 020	4 254	4 159	

Table 6 MBRR Table A1 - Budget Summary

DC6 Namakwa - Table A1 Budget Summary

Description R thousands	2008/9	2009/10	2010/11	Current Year 2011/12				2012/13 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
Financial Performance										
Property rates	-	383	404	-	-	-	-	-	-	-
Service charges	-	-	-	-	-	-	-	-	-	-
Investment revenue	5 544	3 683	3 407	2 140	1 740	1 740	1 740	1 000	1 055	1 113
Transfers recognised - operational	51 209	35 358	45 640	52 638	53 014	53 014	53 014	54 400	52 386	55 315
Other own revenue	16 341	21 564	23 005	16 817	17 558	17 558	17 558	15 145	17 563	18 529
Total Revenue (excluding capital transfers and contributions)	73 094	60 987	72 456	71 596	72 312	72 312	72 312	70 546	71 005	74 958
Employee costs	20 915	22 577	26 381	21 891	27 799	27 799	27 799	37 699	39 795	41 960
Remuneration of councillors	2 134	2 232	2 257	3 471	2 362	2 362	2 362	2 377	2 508	2 646
Depreciation & asset impairment	1 206	1 641	2 034	847	850	850	850	2 170	2 289	2 415
Finance charges	740	2 025	1 492	-	-	-	-	-	-	-
Materials and bulk purchases	-	-	-	-	-	-	-	-	-	-
Transfers and grants	1 602	2 377	4 850	1 500	6 000	6 000	6 000	5 625	5 934	6 261
Other expenditure	43 188	25 046	34 069	44 399	43 776	43 776	43 776	41 288	35 509	37 288
Total Expenditure	69 786	55 897	71 083	72 107	80 786	80 786	80 786	89 159	86 036	90 570
Surplus/(Deficit)										
Transfers recognised - capital	3 308	5 090	1 373	(512)	(8474)	(8474)	(8474)	(18613)	(15031)	(15612)
Contributions recognised - capital & contributed assets	-	-	55	387	491	491	491	536	133	120
Surplus/(Deficit) after capital transfers & contributions	3 308	5 090	1 428	(125)	(7983)	(7983)	(7983)	(18077)	(14898)	(15492)
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) for the year	3 308	5 090	1 428	(125)	(7983)	(7983)	(7983)			

								(18077)	(14898)	(15492)
<u>Capital expenditure & funds sources</u>										
Capital expenditure	1 451	3 984	2 245	848	1 427	1 427	1 427	2 020	4 254	4 159
Transfers recognised - capital	–	–	55	387	491	491	491	536	133	120
Public contributions & donations	–	–	–	–	–	–	–	–	–	–
Borrowing	–	–	–	–	–	–	–	–	–	–
Internally generated funds	1 451	3 984	2 190	461	936	936	936	1 484	4 121	4 039
Total sources of capital funds	1 451	3 984	2 245	848	1 427	1 427	1 427	2 020	4 254	4 159
<u>Financial position</u>										
Total current assets	63 099	78 629	66 931	52 639	45 639	51 365	51 365	33 779	18 729	4 855
Total non current assets	10 221	12 970	11 361	7 507	8 085	11 545	11 545	11 395	13 360	15 103
Total current liabilities	22 655	32 922	18 295	6 907	8 343	8 343	343	7 364	7 751	10 150
Total non current liabilities	4 165	18 141	15 430	16 503	16 503	16 503	16 503	17 823	19 249	20 211
Community wealth/Equity	46 499	40 537	44 568	36 736	28 878	38 064	38 064	19 987	5 089	(10 403)
<u>Cash flows</u>										
Net cash from (used) operating	(3 595)	17 686	(9147)	(12 846)	(19266)	(19266)	(19266)	(16276)	(4501)	(4967)
Net cash from (used) investing	(829)	(2 189)	(2245)	(848)	(1429)	(1429)	(1429)	(2020)	(4254)	(4159)
Net cash from (used) financing	(575)	(609)	–	–	–	–	–	–	–	–
Cash/cash equivalents at the year end	61 898	76 785	65 393	51 699	44 699	44 699	44 699	26 403	17 648	8 522
<u>Cash backing/surplus reconciliation</u>										
Cash and investments available	61 899	76 786	63 250	51 701	44 701	50 426	50 426	32 080	16 891	2 977
Application of cash and investments	23 610	33 660	15 909	6 472	8 336	8 935	8 935	12 032	12 441	6 091
Balance - surplus (shortfall)	38 288	43 127	47 341	45 229	36 365	41 491	41 491	20 048	4 450	(3114)
<u>Asset management</u>										
Asset register summary (WDV)	10 219	12 969	11 360	7 506	8 084	11 544	11 394	11 394	13 359	15 102
Depreciation & asset impairment	1 206	1 641	2 034	847	850	850	2 170	2 170	2 289	2 415
Renewal of Existing Assets	–	–	–	36	36	36	36	–	24	24
Repairs and Maintenance	1 789	1 880	2 545	1 133	670	670	706	706	744	–

Explanatory notes to MBRR Table A1 - Budget Summary

1. Table A1 is a budget summary and provides a concise overview of the Municipality's budget from all of the major financial perspectives (operating, capital expenditure, financial position, cash flow, and MFMA funding compliance).
2. The table provides an overview of the amounts approved by Council for operating performance, resources deployed to capital expenditure, financial position, cash and funding compliance, as well as the municipality's commitment to eliminating basic service delivery backlogs.
3. Financial management reforms emphasises the importance of the municipal budget being funded. This requires the simultaneous assessment of the Financial Performance, Financial Position and Cash Flow Budgets, along with the Capital Budget. The Budget Summary provides the key information in this regard:
 - a. The operating surplus/deficit (after Total Expenditure) is positive over the MTREF
 - b. Capital expenditure is balanced by capital funding sources, of which
 - i. Transfers recognised is reflected on the Financial Performance Budget;
 - ii. Borrowing is incorporated in the net cash from financing on the Cash Flow Budget
 - iii. Internally generated funds are financed from a combination of the current operating surplus and accumulated cash-backed surpluses from previous years. The amount is incorporated in the Net cash from investing on the Cash Flow Budget. The fact that the municipality's cash flow remains positive, and is improving indicates that the necessary cash resources are available to fund the Capital Budget.
4. The Cash backing/surplus reconciliation shows that in previous financial years the municipality was paying much attention to managing this aspect of its finances, and consequently many of its obligations are cash-backed. This place the municipality in a very favourable financial position. Over the MTREF there is progressive improvement in the level of cash-backing of obligations. It is anticipated that the goal of having all obligations cash-back will be achieved by 2014/15

Table 7 MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)

DC6 Namakwa - Table A2 Budgeted Financial Performance (revenue and expenditure by standard classification)

<i>Other</i>	4	1 025	1 236	1 653	1 719	1 805	1 805	1 813	1 912	2 017
Total Expenditure - Standard	3	69 786	55 897	71 083	72 107	80 786	80 786	89 159	86 036	90 570
Surplus/(Deficit) for the year		3 308	5 090	1 428	(125)	(7 983)	(7 983)	(18 077)	(14 898)	(15 492)

Explanatory notes to MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)

1. Table A2 is a view of the budgeted financial performance in relation to revenue and expenditure per standard classification. The modified GFS standard classification divides the municipal services into 15 functional areas. Municipal revenue, operating expenditure and capital expenditure are then classified in terms of each of these functional areas which enables the National Treasury to compile 'whole of government' reports.
2. Note the Total Revenue on this table includes capital revenues (Transfers recognised – capital) and so does not balance to the operating revenue shown on Table A4.
3. Note that as a general principle the revenues for the Trading Services should exceed their expenditures. The table highlights that this is the case for Electricity, Water and Waste water functions, but not the Waste management function. As already noted above, the municipality will be undertaking a detailed study of this function to explore ways of improving efficiencies and provide a basis for re-evaluating the function's tariff structure.
4. Other functions that show a deficit between revenue and expenditure are being financed from rates revenues and other revenue sources reflected under the Corporate Services.

Part 2 – Supporting Documentation

2.11.1 Overview of the annual budget process

Section 53 of the MFMA requires the Mayor of the municipality to provide general political guidance in the budget process and the setting of priorities that must guide the preparation of the budget. In addition Chapter 2 of the Municipal Budget and Reporting Regulations states that the Mayor of the municipality must establish a Budget Steering Committee to provide technical assistance to the Mayor in discharging the responsibilities set out in section 53 of the Act.

The Budget Steering Committee consists of the Municipal Manager senior officials and councillors of the Institutional Committee of the municipality meeting under the chairpersonship of the MMC for Finance.

The primary aims of the Budget Steering Committee are to ensure:

- that the process followed to compile the budget complies with legislation and good budget practices;
- that there is proper alignment between the policy and service delivery priorities set out in the municipality's IDP and the budget, taking into account the need to protect the financial sustainability of municipality;
- that the municipality's revenue and tariff setting strategies ensure that the cash resources needed to deliver services are available; and
- that the various spending priorities of the different municipal departments are properly evaluated and prioritised in the allocation of resources.

2.1.1 Budget Process Overview

In terms of section 21 of the MFMA the Mayor is required to table in Council ten months before the start of the new financial year (i.e. in August 2011) a time schedule that sets out the process to revise the IDP and prepare the budget.

The Mayor tabled in Council the required the IDP and budget time schedule on 25 August 2011. Key dates applicable to the process were:

- **August 2011** – Joint strategic planning session of the Mayoral Committee and Executive Management. Aim: to review past performance trends of the capital and operating budgets, the economic realities and to set the prioritisation criteria for the compilation of the 2011/12 MTREF;
- **November 2011** – Detail departmental budget proposals (capital and operating) submitted to the Budget and Treasury Office for consolidation and assessment against the financial planning guidelines;
- **3 to 7 January 2012** - Review of the financial strategy and key economic and financial planning assumptions by the Budget Steering Committee. This included financial forecasting and scenario considerations;
- **January 2012** – Multi-year budget proposals are submitted to the Mayoral Committee for endorsement;

- **24 January 2012** - Council considers the 2011/12 Mid-year Review and Adjustments Budget;
- February 2012 - Recommendations of the Mayoral Committee are communicated to the Budget Steering Committee, and on to the respective departments. The draft 2012/13 MTREF is revised accordingly;
- **28 March 2012** - Tabling in Council of the draft 2012/13 IDP and 2012/13 MTREF for public consultation;
- **April 2012** – Public consultation;
- **May 2012** - Closing date for written comments;
- **to 21 May 2012** – finalisation of the 2012/13 IDP and 2012/13 MTREF, taking into consideration comments received from the public, comments from National Treasury, and updated information from the most recent Division of Revenue Bill and financial framework; and
- **28 May 2012** - Tabling of the 2012/13 MTREF before Council for consideration and approval.

There were no deviations from the key dates set out in the Budget Time Schedule tabled in Council.

2.1.2 IDP and Service Delivery and Budget Implementation Plan

This IDP will be adopted by Council in May 2012. The process of the IDP started in September 2011 after the tabling of the IDP Process Plan and the Budget Time Schedule for the 2012/13 MTREF in August.

The Municipality's IDP is its principal strategic planning instrument, which directly guides and informs its planning, budget, management and development actions. This framework is rolled out into objectives, key performance indicators and targets for implementation which directly inform the Service Delivery and Budget Implementation Plan. The Process Plan applicable to the fourth revision cycle included the following key IDP processes and deliverables:

- Registration of community needs;
- Compilation of departmental business plans including key performance indicators and targets;
- Financial planning and budgeting process;
- Public participation process;
- Compilation of the SDBIP, and
- The review of the performance management and monitoring processes.

The IDP has been taken into a business and financial planning process leading up to the 2012/13MTREF, based on the approved 2010/11 MTREF, Mid-year Review and adjustments budget. The business planning process has subsequently been refined in the light of current economic circumstances and the resulting revenue projections.

With the compilation of the 2012/13 MTREF, each department/function had to review the business planning process, including the setting of priorities and targets after reviewing the mid-year and third quarter performance against the 2011/12 Departmental Service Delivery and Budget Implementation Plan. Business planning links back to priority needs and master planning, and essentially informed the detail operating budget appropriations and three-year capital programme.

2.1.3 Financial Modelling and Key Planning Drivers

As part of the compilation of the 2012/13 MTREF, extensive financial modelling was undertaken to ensure affordability and long-term financial sustainability. The following key factors and planning strategies have informed the compilation of the 2012/13 MTREF:

- District of Namakwa' growth
- Policy priorities and strategic objectives
- Asset maintenance
- Economic climate and trends (i.e. inflation, Eskom increases, household debt, migration patterns)
- Performance trends
- The approved 2011/12 adjustments budget and performance against the SDBIP
- Cash Flow Management Strategy
- Debtor payment levels
- Loan and investment possibilities

In addition to the above, the strategic guidance given in National Treasury's MFMA Circulars 51, 54, 58 and 59 has been taken into consideration in the planning and prioritisation process.

2.1.4 Community Consultation

The draft 2012/13 MTREF as tabled before Council on 28 March 2012 for community consultation was published on the municipality's website, and hard copies were made available at customer care offices, municipal notice boards and municipality's web site. The adjustment budget was tabled before council on 24 January 2012.

All documents in the appropriate format (electronic and printed) were provided to National Treasury, and other national and provincial departments in accordance with section 23 of the MFMA, to provide an opportunity for them to make inputs..

Submissions received during the community consultation process and additional information regarding revenue and expenditure and individual capital projects were addressed, and where relevant considered as part of the finalisation of the 2012/13 MTREF. Feedback and responses to the submissions received are available on request.

2.21.2 Overview of alignment of annual budget with IDP

The Constitution mandates local government with the responsibility to exercise local developmental and cooperative governance. The eradication of imbalances in South African society can only be realized through a credible integrated developmental planning process.

Municipalities in South Africa need to utilise integrated development planning as a method to plan future development in their areas and so find the best solutions to achieve sound long-term development goals. A municipal IDP provides a five year strategic programme of action aimed at setting short, medium and long term strategic and budget priorities to create a development platform, which correlates with the term of office of the political incumbents. The plan aligns the resources and the capacity of a municipality to its overall development aims and guides the municipal budget. An IDP is therefore a key instrument which municipalities use to provide vision, leadership and direction to all those that have a role to play in the development of a municipal area. The IDP enables municipalities to make the best use of scarce resources and speed up service delivery.

Integrated developmental planning in the South African context is amongst others, an approach to planning aimed at involving the municipality and the community to jointly find the best solutions towards sustainable development. Furthermore, integrated development planning provides a strategic environment for managing and guiding all planning, development and decision making in the municipality.

It is important that the IDP developed by municipalities correlate with National and Provincial intent. It must aim to co-ordinate the work of local and other spheres of government in a coherent plan to improve the quality of life for all the people living in that area. Applied to the municipality, issues of national and provincial importance should be reflected in the IDP of the municipality. A clear understanding of such intent is therefore imperative to ensure that the municipality strategically complies with the key national and provincial priorities.

The aim of this revision cycle was to develop and coordinate a coherent plan to improve the quality of life for all the people living in the district, also reflecting issues of national and provincial importance. One of the key objectives is therefore to ensure that there exists alignment between national and provincial priorities, policies and strategies and the municipality's response to these requirements.

The national and provincial priorities, policies and strategies of importance include amongst others:

- Green Paper on National Strategic Planning of 2009;
- Government Programme of Action;
- Development Facilitation Act of 1995;
- Provincial Growth and Development Strategy (GGDS);
- National and Provincial spatial development perspectives;
- Relevant sector plans such as transportation, legislation and policy;
- National Key Performance Indicators (NKPIs);
- Accelerated and Shared Growth Initiative (ASGISA);
- National 2014 Vision;
- National Spatial Development Perspective (NSDP) and
- The National Priority Outcomes.

The Constitution requires local government to relate its management, budgeting and planning functions to its objectives. This gives a clear indication of the intended purposes of municipal integrated development planning. Legislation stipulates clearly that a municipality must not only give effect to its IDP, but must also conduct its affairs in a manner which is consistent with its IDP. The following table highlights the IDP's five strategic objectives for the 2012/13 MTREF and further planning refinements that have directly informed the compilation of the budget:

Table 8 IDP Strategic Objectives

2012/13 Financial Year	2012/13 MTREF
1. The provision of quality basic services and infrastructure	1. Provision of quality basic services and infrastructure
2. Acceleration of higher and shared economic growth and development	2. Economic growth and development that leads to sustainable job creation
3. Fighting of poverty, building clean, healthy, safe and sustainable communities	3.1 Fight poverty and build clean, healthy, safe and sustainable communities 3.2 Integrated Social Services for empowered and sustainable communities
4. Fostering participatory	4. Foster participatory

	democracy and adherence to Batho Pele principles through a caring, accessible and accountable service		democracy and Batho Pele principles through a caring, accessible and accountable service
5.	Good governance, Financial viability and institutional governance	5.1 5.2 5.3	Promote sound governance Ensure financial sustainability Optimal institutional transformation to ensure capacity to achieve set objectives

In order to ensure integrated and focused service delivery between all spheres of government it was important for the municipality to align its budget priorities with that of national and provincial government. All spheres of government place a high priority on infrastructure development, economic development and job creation, efficient service delivery, poverty alleviation and building sound institutional arrangements.

Local priorities were identified as part of the IDP review process which is directly aligned to that of the national and provincial priorities. The key performance areas can be summarised as follows against the five strategic objectives:

1. Provision of quality basic services and infrastructure which includes, amongst others:
 - o Provide housing;
 - o Assist local municipalities to provide infrastructure for service delivery; and
 - o Maintaining the infrastructure of the municipality.
2. Economic growth and development that leads to sustainable job creation by:
 - o Ensuring there is a clear structural plan for the municipality;
 - o Ensuring planning processes function in accordance with set timeframes;
 - o Facilitating the use of labour intensive approaches in the delivery of services and the building of infrastructure.
- 3.1 Fight poverty and build clean, healthy, safe and sustainable communities:
 - o Working with the provincial department of health to provide primary health care services;
 - o Ensuring all waste water treatment works are operating optimally;
 - o Working with strategic partners such as SAPS to address crime;
 - o Ensuring safe working environments by effective enforcement of building and health regulations;
 - o Promote viable, sustainable communities through proper zoning; and
 - o Promote environmental sustainability by protecting wetlands and key open spaces.
- 3.2 Integrated Social Services for empowered and sustainable communities
 - o Work with provincial departments to ensure the development of community infrastructure such as schools and clinics is properly co-ordinated with the informal settlements upgrade programme
4. Foster participatory democracy and Batho Pele principles through a caring, accessible and accountable service by:
 - o Optimising effective community participation in the ward committee system; and
 - o Implementing Batho Pele in the revenue management strategy.
- 5.1 Promote sound governance through:
 - o Publishing the outcomes of all tender processes on the municipal website
- 5.2 Ensure financial sustainability through:

- o Reviewing the use of contracted services
- o Continuing to implement the infrastructure renewal strategy and the repairs and maintenance plan

5.3 Optimal institutional transformation to ensure capacity to achieve set objectives

- o Review of the organizational structure to optimize the use of personnel;

In line with the MSA, the IDP constitutes a single, inclusive strategic plan for the municipality. The five-year programme responds to the development challenges and opportunities faced by the City by identifying the key performance areas to achieve the five the strategic objectives mentioned above.

In addition to the five-year IDP, the municipality undertakes an extensive planning and developmental strategy which primarily focuses on a medium to long-term horizon; 5 to 10 years. This process is aimed at influencing the development path by proposing a substantial programme of public-led investment to restructure current patterns of settlement, activity and access to resources in the municipality so as to promote greater equity and enhanced opportunity. All the other government and non government projects are also included in the municipality's IDP.

This development strategy introduces important policy shifts which have further been translated into seven strategic focus areas/objectives as outlined below:

- Developing previous disadvantage areas;
- Enforcing hard development lines – so as to direct private investment;
- Maintaining existing urban areas;
- Strengthening key economic clusters;
- Building social cohesion;
- Strong developmental initiatives in relation to the municipal institution as a whole; and
- Sound financial fundamentals.

Lessons learned with previous IDP revision and planning cycles as well as changing environments were taken into consideration in the compilation of the fourth revised IDP, including:

- Strengthening the analysis and strategic planning processes of the municipality;
- Ensuring better coordination through a programmatic approach and attempting to focus the budgeting process through planning interventions; and
- Strengthening performance management and monitoring systems in ensuring the objectives and deliverables are achieved.

The 2011/12 MTREF has therefore been directly informed by the IDP revision process and the following tables provide a reconciliation between the IDP strategic objectives and operating revenue, operating expenditure and capital expenditure.

**Table 9 DC6 Namakwa - Supporting Table SA4 Reconciliation of IDP strategic
DC6 Namakwa - Supporting Table SA4 Reconciliation of IDP strategic objectives and budget
(revenue)**

Strategic Objective R thousand	Goal	Goal Code	Ref	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
				Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
Sustaining the Natural and Built Environment	Climate protection and pollution minimisation			10555	1078	24793	22106	29964	29964	27646	27000	28485

Quality Living Environment	Develop, manage and regulate the built and natural environment		-	-	-	-	-	-	-	-	-	-
	Meet service needs and address backlogs		27519	21373	30565	3228	2589	2589	137	881	929	
Safe, Healthy and Secure Environment	Promoting the safety of citizens		1048	2569	3213	1679	3638	3638	3191	3355	3540	
	Promoting the health of citizens		-	-	-	-	-	-	-	-	-	
Embracing our Cultural Diversity	Promote sport and recreation within the town		-	-	-	-	-	-	-	-	-	
Good Governance	Ensure accessibility and promote governance.		6711	6336	19104	17163	8488	8488	1560	9613	10793	
	Create an efficient, effective and accountable administration		-	-	-	-	-	-	-	-	-	
Financial Viability and Sustainability	Strategic and sustainable budgeting, Grow and diversify our revenues and Value for money expenditure		27261	29631	28030	27807	28125	28125	28549	30288	31330	
Allocations to other priorities			2									
Total Revenue (excluding capital transfers and contributions)			1	73094	60987	105705	71983	72803	72803	71082	71138	75078

References

Table 10 DC6 Namakwa - Supporting Table SA5 Reconciliation of IDP strategic objectives and budget (operating expenditure)

DC6 Namakwa - Supporting Table SA5 Reconciliation of IDP strategic objectives and budget (operating expenditure)

Strategic Objective R thousand	Goal	Goal Code	Ref	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
				Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
Sustaining the Natural and Built Environment	Climate protection and pollution minimisation			13326	9416	19418	25150	34695	34695	35146	35 545	37 394

Strategic Objectives and Key Performance Indicators (KPIs) for 2024											
Strategic Objective	Key Performance Indicator (KPI)	Performance Data (2024)									
		Q1	Q2	Q3	Q4	YTD	Q1	Q2	Q3	Q4	YTD
Quality Living Environment	Develop, manage and regulate the built and natural environment	-	-	-	-	-	-	-	-	-	-
	Meet service needs and address backlogs	27587	17745	30495	3228	2374	2374	797	841	887	887
Safe, Healthy and Secure Environment	Promoting the safety of citizens	3976	4677	7818	8905	8589	8589	9155	9 639	10 169	10 169
	Promoting the health of citizens	-	-	-	-	-	-	-	-	-	-
Embracing our Cultural Diversity	Promote sport and recreation within the town	-	-	-	-	-	-	-	-	-	-
	Ensure accessibility and promote governance.	21107	19828	37588	29947	30322	30322	38063	33 753	35 585	35 585
Financial Viability and Sustainability	Create an efficient, effective and accountable administration	-	-	-	-	-	-	-	-	-	-
	Strategic and sustainable budgeting, Grow and diversify our revenues and Value for money expenditure	3789	4231	4536	4877	4806	4806	5997	6 258	6 534	6 534

Allocations to other priorities										
Total Expenditure	1	69786	55897	99855	72107	80786	80786	89159	86 036	90 570

2.3 Measurable performance objectives and indicators

Performance Management is a system intended to manage and monitor service delivery progress against the identified strategic objectives and priorities. In accordance with legislative requirements and good business practices as informed by the National Framework for Managing Programme Performance Information, the City has developed and implemented a performance management system of which system is constantly refined as the integrated planning process unfolds. The Municipality targets, monitors, assess and reviews organisational performance which in turn is directly linked to individual employee's performance.

At any given time within government, information from multiple years is being considered; plans and budgets for next year; implementation for the current year; and reporting on last year's performance. Although performance information is reported publicly during the last stage, the performance information process begins when policies are being developed, and continues through each of the planning, budgeting, implementation and reporting stages. The planning, budgeting and reporting cycle can be graphically illustrated as follows:

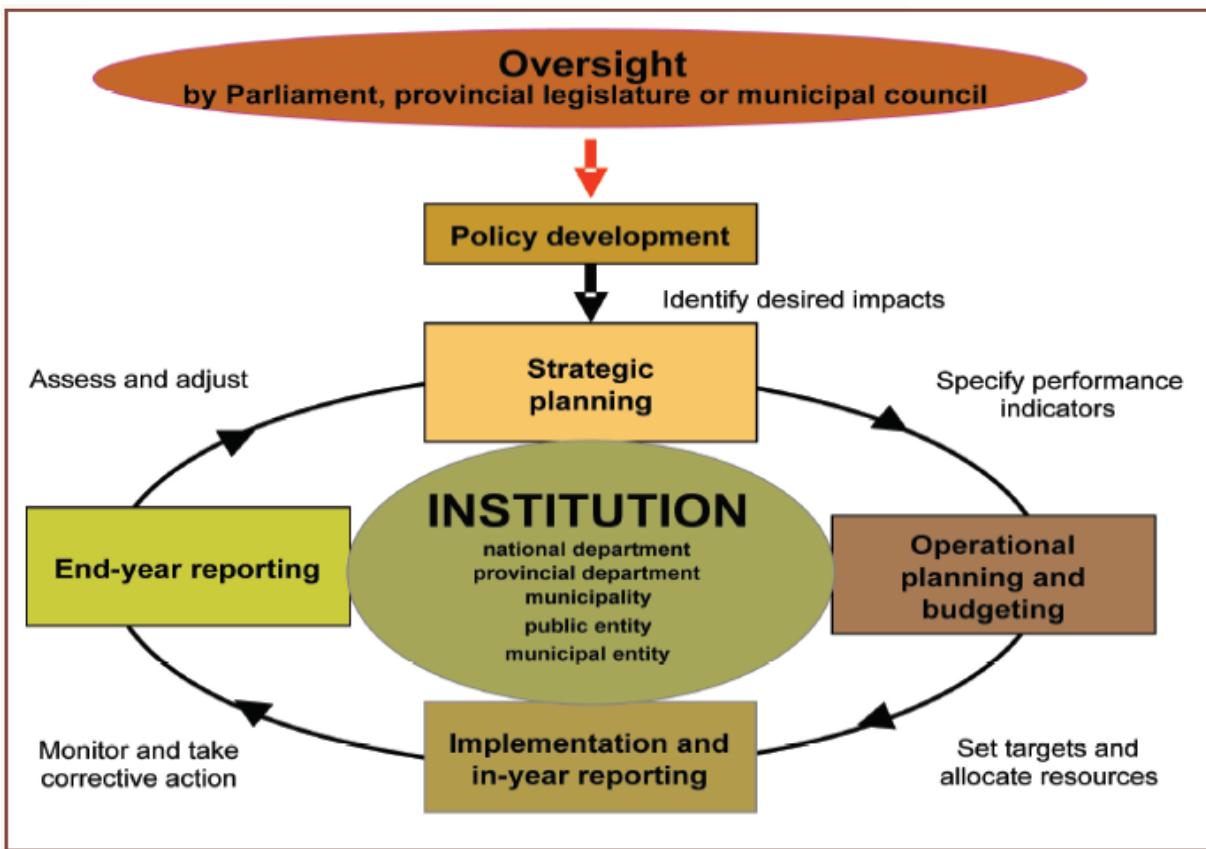


Figure 2 Planning, budgeting and reporting cycle

The performance of the municipality relates directly to the extent to which it has achieved success in realising its goals and objectives, complied with legislative requirements and meeting stakeholder expectations. The municipality therefore has adopted one integrated performance management system which encompasses:

- Planning (setting goals, objectives, targets and benchmarks);
- Monitoring (regular monitoring and checking on the progress against plan);
- Measurement (indicators of success);
- Review (identifying areas requiring change and improvement);
- Reporting (what information, to whom, from whom, how often and for what purpose); and
- Improvement (making changes where necessary).

The performance information concepts used by the City in its integrated performance management system are aligned to the **Framework of Managing Programme Performance Information** issued by the National Treasury:

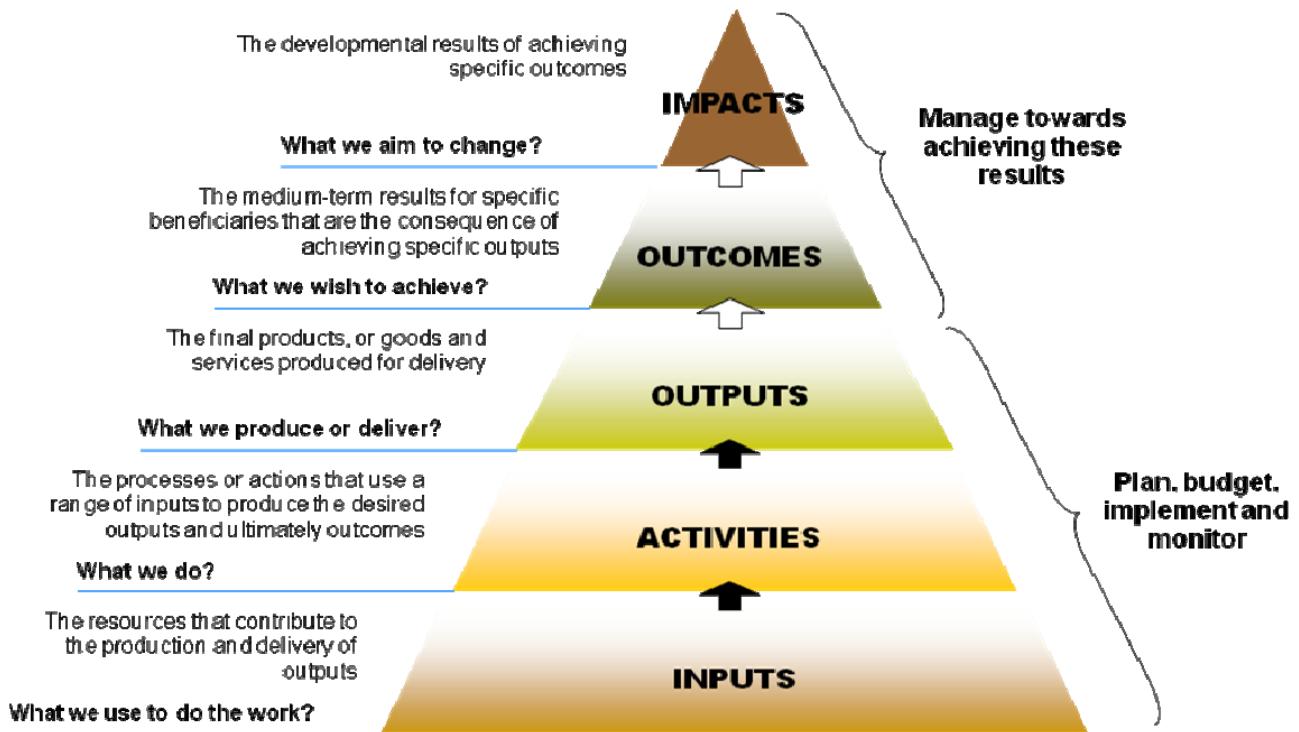


Figure 3 Definition of performance information concepts

The following table provides the main measurable performance objectives the municipality undertakes to achieve this financial year.

Table 11 MBRR Table SA8 - Performance indicators and benchmarks

DC6 Namakwa - Supporting Table SA8 Performance indicators and benchmark

Electricity Distribution Losses (2)	% Volume (units purchased and generated less units sold)/units purchased and generated	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Water Distribution Losses (2)	% Volume (units purchased and own source less units sold)/Total units purchased and own source	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Employee costs	Employee costs/(Total Revenue - capital revenue)	28.6%	37.0%	36.4%	30.6%	38.4%	38.4%	38.4%	53.4%	56.0%	56.0%
Remuneration	Total remuneration/(Total Revenue - capital revenue)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Repairs & Maintenance	R&M/(Total Revenue excluding capital revenue)	2.4%	3.1%	3.5%	1.6%	0.9%	0.9%	0.9%	1.0%	1.0%	0.0%
Finance charges & Depreciation	FC&D/(Total Revenue - capital revenue)	2.7%	6.0%	4.9%	1.2%	1.2%	1.2%	1.2%	3.1%	3.2%	3.2%
<u>IDP regulation financial viability indicators</u>											
i. Debt coverage	(Total Operating Revenue - Operating Grants)/Debt service payments due within financial year)	5.1	14.2	12.1	10.0	10.0	10.0	17.5	13.9	15.2	16.0
ii.O/S Service Debtors to Revenue	Total outstanding service debtors/annual revenue received for services	82.0%	139.6%	305.8%	95.5%	100.9%	100.9%	100.9%	121.2%	126.4%	119.8%
iii. Cost coverage	(Available cash + Investments)/monthly fixed operational expenditure	12.1	18.5	12.3	9.6	7.3	7.3	7.3	3.9	2.7	1.2

2.3.1 Performance indicators and benchmarks

2.3.1.1 Borrowing Management

Capital expenditure in local government can be funded by capital grants, own-source revenue and long term borrowing. The ability of a municipality to raise long term borrowing is largely dependent on its creditworthiness and financial position. As with all other municipalities, Namakwa District Municipality's borrowing strategy is primarily informed by the affordability of debt repayments. The municipality is able to fund all projects with own or grant funds

2.3.1.2 Liquidity

- *Current ratio* is a measure of the current assets divided by the current liabilities and as a benchmark the municipality has set a limit of 1, hence at no point in time should this ratio be less than 1. For the 2012/13 MTREF the current ratio is 3.66 in the 2012/13 financial year. Going forward it will be necessary to maintain these levels.
- *The liquidity ratio* is a measure of the ability of the municipality to utilize cash and cash equivalents to extinguish or retire its current liabilities immediately. Ideally the municipality should have the equivalent cash and cash equivalents on hand to meet at least the current liabilities, which should translate into a liquidity ratio of 1. Anything below 1 indicates a shortage in cash to meet creditor obligations. For the 2011/12 financial year the ratio was 3.62.

2.3.1.3 Revenue Management

- As part of the financial sustainability strategy, an aggressive revenue management framework has been implemented to increase cash inflow, not only from current billings but also from debtors that are in arrears in excess of 90 days. The intention of the strategy is to streamline the revenue value chain by ensuring accurate billing, customer service, credit control and debt collection.

2.3.1.4 Creditors Management

- The municipality has managed to ensure that creditors are settled within the legislated 30 days of invoice. This has had a favourable impact on suppliers' perceptions of risk of doing business with the municipality, which is expected to benefit the municipality in the form of more competitive pricing of tenders, as suppliers compete for the municipality's business.

2.3.1.5 Other Indicators

- Employee costs as a percentage of operating revenue continues to decrease over the MTREF. This is primarily owing to the high increase in bulk purchases which directly increase revenue levels, as well as increased allocation relating to operating grants and transfers.

2.3.2 Free Basic Services: basic social services package for indigent households

As the municipality has no direct service delivery to the people of Namakwa, there is no indigent provision. Equitable shares are used to assist local municipalities.

2.4 Overview of budget related-policies

The municipality's budgeting process is guided and governed by relevant legislation, frameworks, strategies and related policies.

2.4.1 Review of credit control and debt collection procedures/policies

The Collection Policy as approved by Council in May 2010 is currently under review. While the adopted policy is credible, sustainable, manageable and informed by affordability and value for money there has been a need to review certain components to achieve a higher collection rate..

2.4.2 Asset Management, Infrastructure Investment and Funding Policy

A proxy for asset consumption can be considered the level of depreciation each asset incurs on an annual basis. Preserving the investment in existing infrastructure needs to be considered a significant strategy in ensuring the future sustainability of infrastructure and the municipality's revenue base. Within the framework, the need for asset renewal was considered a priority and hence the capital programme was determined based on renewal of current assets versus new asset construction.

Further, continued improvements in technology generally allows many assets to be renewed at a lesser 'real' cost than the original construction cost. Therefore, it is considered prudent to allow for a slightly lesser continual level of annual renewal than the average annual depreciation. The Asset Management, Infrastructure and Funding Policy is therefore considered a strategic guide in ensuring a sustainable approach to asset renewal, repairs and maintenance and is utilised as a guide to the selection and prioritisation of individual capital projects. In addition the policy prescribes the accounting and administrative policies and procedures relating to property, plant and equipment (fixed assets).

2.4.3 Budget Adjustment Policy

The adjustments budget process is governed by various provisions in the MFMA and is aimed at instilling and establishing an increased level of discipline, responsibility and accountability in the financial management practices of municipalities. To ensure that the municipality continues to deliver on its core mandate and achieves its developmental goals, the mid-year review and adjustment budget process will be utilised to ensure that underperforming functions are identified and funds redirected to performing functions.

2.4.4 Supply Chain Management Policy

The Supply Chain Management Policy was adopted by Council in May 2010. An amended policy will be considered by Council in due course of which the amendments will be extensively consulted on.

2.4.5 Cash Management and Investment Policy

The municipality's Cash Management and Investment Policy was amended by Council in May 2010. The aim of the policy is to ensure that the municipality's surplus cash and investments are adequately managed, especially the funds set aside for the cash backing of certain reserves. The policy details the minimum cash and cash equivalents required at any point in time and introduce time frames to achieve certain benchmarks.

2.4.6 Interest rates for borrowing and investment of funds

The MFMA specifies that borrowing can only be utilised to fund capital or refinancing of borrowing in certain conditions. The municipality engages in a number of financing arrangements to minimise its interest rate costs and risk. However, for simplicity the 2012/13 MTREF is based on the assumption that all borrowings are undertaken using fixed interest rates for amortisation-style loans requiring both regular principal and interest payments. As part of the compilation of the 2012/13 MTREF the potential of smoothing out the debt profile over the long term will be investigated.

2.4.7 Salary increases

The collective agreement regarding salaries/wages came into operation on 1 July 2009 and shall remain in force until 30 June 2012. Year three is an across the board increase of 8.54 per cent. The increase prior to a new agreement is budgeted at 10%.

2.4.8 Impact of national, provincial and local policies

Integration of service delivery between national, provincial and local government is critical to ensure focussed service delivery and in this regard various measures were implemented to align IDPs, provincial and national strategies around priority spatial interventions. In this regard, the following national priorities form the basis of all integration initiatives:

- Creating jobs;
- Enhancing education and skill development;
- Improving Health services;
- Rural development and agriculture; and
- Fighting crime and corruption.

To achieve these priorities integration mechanisms are in place to ensure integrated planning and execution of various development programs. The focus will be to strengthen the link between policy priorities and expenditure thereby ensuring the achievement of the national, provincial and local objectives.

2.4.9 Cash Flow Management

Cash flow management and forecasting is a critical step in determining if the budget is funded over the medium-term. The table below is consistent with international standards of good financial management practice and also improves understandability for councillors and management. Some specific features include:

- Clear separation of receipts and payments within each cash flow category;
- Clear separation of capital and operating receipts from government, which also enables cash from 'Ratepayers and other' to be provided as cash inflow based on actual performance. In other words the *actual collection rate* of billed revenue., and

- Separation of borrowing and loan repayments (no set-off), to assist with MFMA compliance assessment regarding the use of long term borrowing (debt).

Table 12 MBRR Table A7 - Budget cash flow statement

DC6 Namakwa - Table A7 Budgeted Cash Flows

Description R thousand	Ref	2008/9	2009/10	2010/11	Current Year 2011/12				2012/13 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
CASH FLOW FROM OPERATING ACTIVITIES											
Receipts											
Ratepayers and other		7635	6182	43858	16737	17398	17398	17398	15 045	17 458	18 418
Government - operating	1	47024	47246	59992	52667	52667	52667	52667	50 878	52 386	55 315
Government - capital	1	2396	4651	55	359	359	359	359	536	133	120
Interest		5544	3683	1801	2220	1900	1900	1900	1 100	1 161	1 224
Dividends		–	–	–	–	–	–	–	–	–	–
Payments											
Suppliers and employees		(37174)	(28288)	(72777)	(84708)	(91519)	(91519)	(91519)	(78210)	(69704)	(73784)
Finance charges		(740)	(678)	(227)	(120)	(70)	(70)	(70)	–	–	–
Transfers and Grants	1	(28280)	(15111)	(41848)	–	–	–	–	(5625)	(5934)	(6261)
NET CASH FROM/(USED) OPERATING ACTIVITIES		(3595)	17686	(9147)	(12846)	(19266)	(19266)	(19266)	(16276)	(4501)	(4967)
CASH FLOWS FROM INVESTING ACTIVITIES											
Receipts											
Proceeds on disposal of PPE		534	266	–	–	–	–	–	–	–	–
Decrease (Increase) in non-current debtors		–	–	–	–	–	–	–	–	–	–
Decrease (increase) other non-current receivables		89	2	–	–	–	–	–	–	–	–
Decrease (increase) in non-current investments		–	–	–	–	–	–	–	–	–	–
Payments											
Capital assets		(1451)	(2458)	(2245)	(848)	(1429)	(1429)	(1429)	(2020)	(4254)	(4159)
NET CASH FROM/(USED) INVESTING ACTIVITIES		(829)	(2189)	(2245)	(848)	(1429)	(1429)	(1429)	(2020)	(4254)	(4159)
CASH FLOWS FROM FINANCING ACTIVITIES											
Receipts											
Short term loans		–	–	–	–	–	–	–	–	–	–
Borrowing long term/refinancing		–	–	–	–	–	–	–	–	–	–
Increase (decrease) in consumer deposits		–	–	–	–	–	–	–	–	–	–
Payments											
Repayment of borrowing		(575)	(609)	–	–	–	–	–	–	–	–
NET CASH FROM/(USED) FINANCING ACTIVITIES		(575)	(609)	–	–	–	–	–	–	–	–
NET INCREASE/ (DECREASE) IN CASH HELD		(4999)	14888	(11392)	(13694)	(20694)	(20694)	(20694)	(18296)	(8755)	(9126)
Cash/cash equivalents at the year begin:	2	66896	61898	76785	65393	65393	65393	65393	44 699	26 403	17 648
Cash/cash equivalents at the	2	61 898							26 403	17 648	8 522

year end:			76785	65393	51699	44699	44699	44699			
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The above table shows that cash and cash equivalents of the municipality are negative and a cash flow problem will incur in further.

This following table meets the requirements of MFMA Circular 42 which deals with the funding of a municipal budget in accordance with sections 18 and 19 of the MFMA. The table seeks to answer three key questions regarding the use and availability of cash:

- What are the predicted cash and investments that are available at the end of the budget year?
- How are those funds used?
- What is the net funds available or funding shortfall?

A surplus would indicate the cash-backed accumulated surplus that was/is available. A shortfall (applications > cash and investments) is indicative of non-compliance with section 18 of the MFMA requirement that the municipality's budget must be 'funded'. Non-compliance with section 18 is assumed because a shortfall would indirectly indicate that the annual budget is not appropriately funded (budgeted spending is greater than funds available or to be collected). It is also important to analyse trends to understand the consequences, e.g. the budget year might indicate a small surplus situation, which in itself is an appropriate outcome, but if in prior years there were much larger surpluses then this negative trend may be a concern that requires closer examination.

Table 13 A8 Cash backed reserves/accumulated surplus reconciliation –

DC6 Namakwa - Table A8 Cash backed reserves/accumulated surplus reconciliation

Description R thousand	Ref	2008/9	2009/10	2010/11	Current Year 2011/12				2012/13 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
<u>Cash and investments available</u> Cash/cash equivalents at the year end Other current investments > 90 days Non current assets - Investments	1	61898	76785	65393	51699	44699	44 699	44 699	26403	17 648	8 522
		-	-	(2144)	0	1	5 726	5 726	5676	(758)	(5547)
	1	1	1	1	1	1	1	1	1	1	1
Cash and investments available:		61899	76786	63250	51701	44701	50 426	50 426	32080	16 891	2 977
<u>Application of cash and investments</u> Unspent conditional transfers Unspent borrowing Statutory requirements Other working capital requirements		16256	13400	11685	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	-	-
	2	-	-	-	-	-	-	-	-	-	-
	3	3494	15073	(1584)	2104	3544	3 544	3 544	3691	3 844	6 091

Other provisions		2023	3350	3618	3907	3907	3 907	3 907	4220	4 558	-
Long term investments committed	4	-	-	-	-	-	-	-	-	-	-
Reserves to be backed by cash/investments	5	1836	1837	2190	461	885	1 484	1 484	4121	4 039	-
Total Application of cash and investments:		23610	33660	15909	6472	8336	8 935	8 935	12032	12 441	6 091
Surplus(shortfall)		38288	43127	47341	45229	36365	41 491	41 491	20048	4 450	(3114)

From the above table it can be seen that the cash and investments available total R20 048 000 in the 2012/13 financial year and progressively decrease to negative R3 114 000 by 2014/15, including the projected cash and cash equivalents as determined in the cash flow forecast. The following is a breakdown of the application of this funding:

2.5 Expenditure on grants and reconciliations of unspent funds

Table 14 DC6 Namakwa - Supporting Table SA19 Expenditure on transfers and grant programme

DC6 Namakwa - Supporting Table SA19 Expenditure on transfers and grant programme

Description R thousand	Ref	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
EXPENDITURE:	1									
<u>Operating expenditure of Transfers and Grants</u>										
National Government:										
Local Government										
Equitable Share		25 731	28 334	30 985	31 832	31 832	31 832	34 967	36 655	38 699
Finance Management		24 156	25 683	29 290	29 792	29 792	29 792	32 717	34 405	36 325
Municipal Systems		500	750	945	1 250	1 250	1 250	1 250	1 250	1 319
Improvement		-	-	750	790	790	790	1 000	1 000	1 055
PIMS		1 075	1 901	-	-	-	-	-	-	-
Municipal Infrastructure										
Grant		-	-	-	-	-	-	-	-	-
Other transfers/grants [insert description]		-	-	-	-	-	-	-	-	-
Provincial Government:		968	2 786	1 027	1 116	1 012	1 012	14 551	15 731	16 617
NEAR		-	-	-	745	641	641	1 514	1 977	2 106
Fire Equipment		300	320	127	-	-	-	390	412	435
Health Inspector Subsidy		-	1 385	-	-	-	-	-	-	-
Civil Defence Subsidy		-	875	900	-	-	-	-	-	-
IDP/LDO		190	206	-	371	371	371	-	-	-
Sport Development		100	-	-	-	-	-	-	-	-
SA Projects		139	-	-	-	-	-	-	-	-
Clinic Sanitation		239	-	-	-	-	-	-	-	-
Agricultural and Fisheries		-	-	-	-	-	-	12 647	13 342	14 076

District Municipality: [insert description]	-	-	-	-	-	-	-	-	-	-
Other grant providers:	956	952	7 654	6 258	6 258	6 258	4 932	-	-	-
EPWP	-	-	7 654	6 258	6 258	6 258	1 000	-	-	-
SETA	94	90	-	-	-	-	360	-	-	-
Other	-	-	-	-	-	-	3 572	-	-	-
Kamiesberg Special Fund	630	630	-	-	-	-	-	-	-	-
Richtersveld Special Fund	232	232	-	-	-	-	-	-	-	-
Total operating expenditure of Transfers and Grants:	27 655	32 071	39 666	39 206	39 102	39 102	54 450	52 386	55 315	
Capital expenditure of Transfers and Grants										
National Government:	-	-	-	-	-	-	-	-	-	-
PIMS	-	-	-	-	-	-	-	-	-	-
Finance Management	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
Other capital transfers/grants [insert desc]	-	-	-	-	-	-	-	-	-	-
Provincial Government:	-	-	-	9	113	113	486	133	120	
NEAR	-	-	-	9	113	113	486	133	120	
District Municipality:	-	-	-	-	-	-	-	-	-	-
[insert description]	-	-	-	-	-	-	-	-	-	-
Other grant providers:	-	-	-	350	350	350	50	-	-	-
EPWP	-	-	-	350	350	350	-	-	-	-
-	-	-	-	-	-	-	50	-	-	-
Total capital expenditure of Transfers and Grants	-	-	-	359	463	463	536	133	120	
TOTAL EXPENDITURE OF TRANSFERS AND GRANTS	27 655	32 071	39 666	39 565	39 565	39 565	54 986	52 519	55 435	

Table 15 DC6 Namakwa - Supporting Table SA20 Reconciliation of transfers, grant receipts and unspent funds
DC6 Namakwa - Supporting Table SA20 Reconciliation of transfers, grant receipts and unspent funds

Current year receipts	-	-	-	-	-	-	-	-	-	
Conditions met - transferred to revenue	-	-	-	-	-	-	-	-	-	
Conditions still to be met - transferred to liabilities	-	-	-	-	-	-	-	-	-	
Other grant providers:										
Balance unspent at beginning of the year	-	-	-	24	24	24	-	-	-	
Current year receipts	-	-	-	-	-	-	50	-	-	
Conditions met - transferred to revenue	-	-	-	24	24	24	50	-	-	
Conditions still to be met - transferred to liabilities	-	-	-	-	-	-	-	-	-	
Total capital transfers and grants revenue	-	-	55	387	491	491	536	133	120	
Total capital transfers and grants - CTBM	2	445	445	445	-	-	-	-	-	
TOTAL TRANSFERS AND GRANTS REVENUE	51 209	35 358	45 695	53 026	53 506	506	53	54 936	52 519	55 435
TOTAL TRANSFERS AND GRANTS - CTBM	13 373	14 737	445	-	-	-	-	-	-	

2.6 Councillor and employee benefits

Table 16DC6 Namakwa – Supporting Table SA22 Summary councillor and staff benefits

DC6 Namakwa - Supporting Table SA22 Summary
councillor and staff benefits

Summary of Employee and Councillor remuneration R thousand	Ref	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework			
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15	
<u>Councillors (Political Office Bearers plus Other)</u> Basic Salaries and Wages Pension and UIF Contributions Medical Aid Contributions Motor Vehicle Allowance Cellphone Allowance Housing Allowances Other benefits and allowances	1	A	B	C	D	E	F	G	H	I	
1 583		398 ¹	1 425	2 521	(662)	1 859	1 877	1 981	2 090		
1		3	3	4	(1)	3	3	3	4		
550		596	596	946	(447)	499	497	524	553		
Sub Total - Councillors		2 134	997 ¹ (6.4%)	2 024	3 471	(1 109) (132.0%)	2 362 (312.9%)	2 377	2 508	2 646	
% increase				1.4%	71.5%			0.7%	5.5%	5.5%	
<u>Senior Managers of the Municipality</u> Basic Salaries and Wages Pension and UIF Contributions Medical Aid Contributions Overtime Performance Bonus Motor Vehicle Allowance Cellphone Allowance Housing Allowances Other benefits and allowances Payments in lieu of leave Long service awards Post-retirement benefit obligations		2 880 ²	830	3 090	3 042		3 042	3 757	3 945	4 142	
403		418	423	424			424	535	562	590	
122		125	128	133			133	149	157	165	
911		911	911	911			911	911	911	911	
60	3	60	60	60			60	60	60	60	
50		50	50	50			50	50	52	55	
36		36	36	36			36	36	36	36	
								22	-	-	
Sub Total - Senior Managers of Municipality	6	4 462	430 ⁴ (0.7%)	4 698	4 656	- (100.0%)	4 656	5 521	5 723	5 958	
% increase			6.0%	(0.9%)			-	18.6%	3.7%	4.1%	
<u>Other Municipal Staff</u> Basic Salaries		23 135	24	31 814	25 452	4 819	33 313	11 075	11 628	12 210	

Table 17 DC6 Namakwa - Supporting Table SA23 Salaries, allowances & benefits (political office bearers/councillors/senior managers)

DC6 Namakwa - Supporting Table SA23 Salaries, allowances & benefits (political office bearers/councillors/senior managers)

Total for municipal entities	8	-	-	-	-	-	-	-
TOTAL COST OF COUNCILLOR, DIRECTOR and EXECUTIVE REMUNERATION		-	5 635 028	833 312	1 481 376	-		7 949 716

Table 18 DC6 Namakwa - Supporting Table SA24 Summary of personnel numbers

DC6 Namakwa - Supporting Table SA24 Summary of personnel numbers

Number	R e f 1 , 2	2010/11			Current Year 2011/12			Budget Year 2012/13		
		Positions	Permanent employees	Contract employees	Positions	Permanent employees	Contract employees	Positions	Permanent employees	Contract employees
Municipal Council and Boards of Municipal Entities										
Councillors (Political Office Bearers plus Other Councillors)	14	2	12	14	2	12	15			15
Board Members of municipal entities	4	—	—	—	—	—	—			
Municipal employees	5	—	—	—	—	—	—			
Municipal Manager and Senior Managers	3	2	—	2	2	—	1	2		2
Other Managers	7	7	6	1	6	5	1	8	8	
Professionals		12	10	—	17	15	1	32	27	5
<i>Finance</i>	2	2	—	2	2	—	1	1		
<i>Spatial/town planning</i>	2	—	—	1	—	—				
<i>Information Technology</i>	—	—	—	—	—	—				
<i>Roads</i>	—	—	—	—	—	—				
<i>Electricity</i>	—	—	—	—	—	—				
<i>Water</i>	—	—	—	—	—	—				
<i>Sanitation</i>	—	—	—	—	—	—				
<i>Refuse</i>	—	—	—	—	—	—				
<i>Other</i>	8	8	—	14	13	1	31	26	5	
Technicians		6	4	1	5	4	1	14	10	4
<i>Finance</i>	—	—	—	—	—	—				
<i>Spatial/town planning</i>	—	—	—	—	—	—				
<i>Information Technology</i>	—	—	—	1	1	—	2	1	1	
<i>Roads</i>	3	2	—	—	—	—				
<i>Electricity</i>	—	—	—	—	—	—				
<i>Water</i>	—	—	—	—	—	—	3		3	
<i>Sanitation</i>	—	—	—	—	—	—				
<i>Refuse</i>	—	—	—	—	—	—				
<i>Other</i>	3	2	1	4	3	1	9	9		
Clerks (Clerical and administrative)	44	38	6	44	28	15	50	42	8	
Service and sales workers	6	3	—	7	4	1	11	10	1	
Skilled agricultural and fishery workers	—	—	—	—	—	—				
Craft and related trades	5	4	—	—	—	—				
Plant and Machine Operators	33	19	—	—	—	—				
Elementary Occupations	53	33	—	4	4	—	5	5		
TOTAL PERSONNEL NUMBERS		182	119	22	99	62	32	137	102	35
% increase					(45.6%)	(47.9%)	45.5%	38.4%	64.5%	9.4%
Total municipal employees headcount	6	120	112	8	—	—	—			
Finance personnel headcount	8	24	11	5	24	10	6	20	15	
Human Resources personnel headcount	8	6	4	—	6	3	—	7	3	

2.7 Legislation compliance status

Compliance with the MFMA implementation requirements have been substantially adhered to through the following activities:

1. In year reporting
Reporting to National Treasury in electronic format was fully complied with on a monthly basis. Section 71 reporting to the Executive Mayor (within 10 working days) has progressively improved and includes monthly published financial performance on the Municipality's website.
2. Internship programme
The municipality is participating in the Municipal Financial Management Internship programme and has employed five interns undergoing training in various divisions of the Financial Services Department.
3. Budget and Treasury Office
The Budget and Treasury Office has been established in accordance with the MFMA.
4. Audit Committee
An Audit Committee has been established.
5. Service Delivery and Implementation Plan
The detail SDBIP document is at a draft stage and will be finalised after approval of the 2012/13 MTREF in May 2012 directly aligned and informed by the 2012/13 MTREF.
6. Annual Report
Annual report is compiled in terms of the MFMA and National Treasury requirements.

3 Municipal manager's quality certificate

I , municipal manager of Namakwa District Municipality, hereby certify that the annual budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act, and that the annual budget and supporting documents are consistent with the Integrated Development Plan of the municipality.

Print Name _____

Municipal manager of Namakwa District Municipality DC6)

Signature _____

Date _____

March 2011